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**Subject:- Financial Accounting**



**CHAPTER**  
**DISSOLUTION**  
**of**  
**Partnership Firm**

### Problem 10

A, B and C sharing profit as 6 : 2 : 2 decided to dissolve their firm on 31.12.2016 when their position was as follows :

Liabilities		Amount	Assets	
	₹	₹		Amount
Capitals :				₹
A	8,250		Sundry Assets	5,100
B	3,000		Stock	2,340
C	<u>2,100</u>	13,350	Furniture	300
Sundry Creditors		1,800	Debtors	7,260
Loan		450	Less : Provision for Doubtful Debts	<u>360</u>
		<u>15,600</u>	Cash in Hand	960
				<u>15,600</u>

It was agreed that :

- A is to take over furniture at ₹ 240 debtors amount ₹ 6,000 at ₹ 5,160 and also the creditors at their book value.
- B agreed to take over stock at ₹ 2,100 and a part of sundry assets at ₹ 2,160 (being book value less 10%).
- C agreed to take remaining sundry assets at 90% (of their book value less ₹ 30 as allowance. He also assumed the responsibility for the payment of loan together with accrued interest of ₹ 9 (not recorded in the books).
- Dissolution expenses amounted to ₹ 181.
- The remaining debtors were sold to a Debt Collecting Agency at 50% of the book value.

Close the books of the firm with the help of ledger account.

### Solution

#### Realisation Account

To Sundry Assets	₹ 5,100	By Sundry Creditors.	₹ 1,800
To Stock	2,340	By Loan	450
To Furniture	300	By Provision for D.D	360
To Debtors	7,260	By A's Capital A/c :	₹
To A's Capital A/c (Creditors)	1,800	Furniture	240
To C's Capital A/c (Loan + Int.)	459	Debtors	<u>5,160</u>
			5,400

To Cash A/c (Dissolution Expenses)	181	By B's Capital A/c : Stock 2,100 Sundry Assets 2,160	
		By C's Capital A/c : (Sundry Assets (1))	
		By Cash A/c (Remaining Debtors)	
		By Loss transferred to Capital A/cs :	
		A Capital A/c 1,284	
		B Capital A/c 428	
		C Capital A/c 428	
	17,440		17,440

**Working Note :**

## 1. Sundry Assets :

(-) Sundry Assets taken over by B  $\frac{2,100 \times 100}{90}$

Balance

Sundry Assets Taken over by C :  $\frac{2,700 \times 90}{100}$

Less : Allowance

**Partners' Capital Accounts**

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Realisation A/c (Loss)	1,284	428	428	By Balance b/d	8,250	3,000	2,100
To Realisation A/c (Assets)	5,400	4,260	2,400	By Realisation A/c	1,800	—	—
To Cash A/c	3,366			By Realisation A/c (Loan)	—	—	459
				By Cash A/c	—	1,688	269
	10,050	4,688	2,828		10,050	4,688	2,828

**Cash Account**

To Balance b/d	₹ 960	By Realisation A/c	₹ 181
To Realisation A/c (Debtors)	630	By A's Capital (Final Payment)	3,366
To B's Capital A/c	1,688		
To C's Capital A/c	269		
	3,547		3,547